MONTANA LEGISLATIVE HISTORY

Chapter 45 19 87

Bill H 299 S _____ Original bill & history ✓ C

| H. Committee on St. Admin | | | S. Committee on St. Admin | | |
|---|---|---|---|---|---|
| Hearing Date(s) | 1/29 | C | Hearing Date(s) | 2/10 | C |
| | | C | | | C |
| | | C | | | C |
| | | C | | | C |
| Date Out | 1/29 | C | out | 2/10 | |

Did this bill originate in an interim committee? ____Yes ____No

Committee _____ Report _____

3/24 TRANSMITTED TO GOVERNOR
3/27 SIGNED BY GOVERNOR
CHAPTER NUMBER 241 EFFECTIVE DATE: 3/27/87

HB 299 INTRODUCED BY BARDANOUVE
DEFINING ACTUARIAL EQUIVALENT BY ACTUARIAL TABLES AND INTEREST RATES
BY REQUEST OF PUBLIC EMPLOYEES' RETIREMENT BOARD

1/20 INTRODUCED
1/20 REFERRED TO STATE ADMINISTRATION
1/29 HEARING
1/29 COMMITTEE REPORT--BILL PASSED
1/31 2ND READING PASSED 93 1
2/02 3RD READING PASSED 96 2

TRANSMITTED TO SENATE
2/03 REFERRED TO STATE ADMINISTRATION
2/10 HEARING
2/10 COMMITTEE REPORT--BILL CONCURRED
2/13 2ND READING CONCURRED 50 0
2/16 3RD READING CONCURRED 50 0

RETURNED TO HOUSE
2/19 SIGNED BY SPEAKER
2/20 SIGNED BY PRESIDENT

2/20 TRANSMITTED TO GOVERNOR
2/25 SIGNED BY GOVERNOR
CHAPTER NUMBER 45 EFFECTIVE DATE: 2/25/87

HB 300 INTRODUCED BY LORY
AUTHORIZE OPTIONAL RETIREMENT PROGRAM FOR CERTAIN UNIVERSITY SYSTEM FACULTY AND STAFF
BY REQUEST OF BOARD OF REGENTS

1/20 INTRODUCED
1/20 REFERRED TO STATE ADMINISTRATION
1/21 FISCAL NOTE REQUESTED
1/26 FISCAL NOTE RECEIVED
2/13 HEARING
2/17 COMMITTEE REPORT--BILL PASSED AS AMENDED
2/19 2ND READING PASSED AS AMENDED 72 21
2/21 3RD READING PASSED 77 15

TRANSMITTED TO SENATE
2/23 REFERRED TO STATE ADMINISTRATION
3/18 HEARING
3/23 COMMITTEE REPORT--BILL CONCURRED AS AMENDED
3/27 2ND READING CONCURRED 32 17
3/30 3RD READING CONCURRED 35 15

RETURNED TO HOUSE WITH AMENDMENTS
4/07 2ND READING AMENDMENTS CONCURRED 79 7
4/08 3RD READING AMENDMENTS CONCURRED 84 6
4/10 SIGNED BY SPEAKER
4/10 SIGNED BY PRESIDENT

4/10 TRANSMITTED TO GOVERNOR
4/15 SIGNED BY GOVERNOR
CHAPTER NUMBER 494 EFFECTIVE DATE: 7/01/87

HB 301 INTRODUCED BY RAPP-SVRCEK, ET AL.
CHANGE DEFINITION OF OFFENSE OF NEGLIGENT VEHICULAR

House BILL NO. 299

INTRODUCED BY [signature]

BY REQUEST OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD

A BILL FOR AN ACT ENTITLED: "AN ACT TO SPECIFY THE FACTORS AND ASSUMPTIONS USED TO DETERMINE ACTUARIAL EQUIVALENCIES OF BENEFITS PROVIDED IN THE PUBLIC EMPLOYEES', TEACHERS', JUDGES', HIGHWAY PATROLMEN'S, SHERIFFS', AND GAME WARDENS' RETIREMENT SYSTEMS; AMENDING SECTIONS 19-3-104, 19-4-101, 19-5-101, 19-6-101, 19-7-101, AND 19-8-101, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 19-3-104, MCA, is amended to read:

"19-3-104. Definitions. Unless the context requires otherwise, in this chapter the following definitions apply:

(1) "Accumulated contributions" means the sum of all the contributions standing to the credit of a member's individual account, together with the regular interest thereon.

(2) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the ~~actuarial--tables in--use--by--the--system~~ 1971 Group Annuity Mortality Table, with ages set back 4 years and an interest rate of 8% compounded annually.





(3) "Actuary" means the actuary retained by the board in accordance with 19-3-305.

(4) "Additional contributions" means contributions by members under the provisions of 19-3-702.

(5) "Annuity" means payments for life derived from contributions made by a member as provided in this chapter.

(6) "Beneficiary" means the person so designated pursuant to part 13 of this chapter.

(7) "Benefit" means the retirement allowance, survivorship allowance, death benefit, or refund of accumulated contributions provided by this chapter.

(8) "Board" means the public employees' retirement board provided for in 2-15-1009.

(9) "Compensation" means remuneration paid out of funds controlled by an employer. The compensation of each member of the legislature of Montana for any year shall be considered to be that portion of the product of the daily compensation for such position multiplied by 360 upon which such member elects to pay normal contributions during the year.

(10) "Contracting employer" means any political subdivision or governmental entity which has contracted to come into the system.

(11) "Creditable service" means the aggregate of membership service and prior service.



INTRODUCED BILL
HB299

(12) "Disability" and "incapacity for performance of duty", referred to herein as a basis of retirement, mean disability of permanent duration or disability of extended and uncertain duration, as determined by the board on the basis of competent medical opinion.

(13) "Employee" means any person who is employed by an employer in any capacity whatever and whose salary is paid either by warrant of the employer or from the fees or income of any department or agency of the employer. "Employee" means further any person considered such pursuant to 19-3-402.

(14) "Employer" means the state of Montana, its university system or any of the colleges, schools, components, or units thereof for the purposes of this chapter, or any political subdivision or governmental entity which has contracted to come into the system.

(15) "Employer contributions" means payments to the retirement fund from appropriations of the state of Montana pursuant to 19-3-801 and from contracting employers pursuant to the contracts between them and the board.

(16) "Final compensation" means a member's highest average annual compensation during any 3 consecutive years of membership service. Lump-sum payments for sick leave and annual leave paid to the employee upon termination of employment may be used in the calculation of a retirement





allowance only to the extent that they are used to replace, on a month for month basis, the normal compensation for a month or months included in the calculation of the final salary. A lump-sum payment may not be added to a single month's compensation.

(17) "Fiscal year" means any year commencing with July 1 and ending June 30 next following.

(18) "Head of department" means the head of any department, institution, or branch of the state service which directly pays salaries out of its income or which prepares, approves, and submits salary statements of its employees to the department of administration, state auditor, and state treasurer for payment.

(19) "Member" means any person included in the membership of the retirement system set forth in 19-3-401 and not excluded in 19-3-402, 19-3-403, or 19-3-406.

(20) "Membership service" means service with respect to which normal contributions and employer contributions are paid. A member of the legislature of Montana shall be credited with membership service for that portion of each year for which he pays normal contributions pursuant to subsection (9) of this section.

(21) "Normal contributions" means contributions required from members under this chapter and any optional contributions made under the provisions of 19-3-502 and

19-3-704.

(22) "Pension" means payments for life derived from contributions made from the state controlled funds or, in the case of members from contracting employers, from the funds of such contracting employers, as provided in this chapter.

(23) "Prior service" means all service rendered as an employee of the state before July 1, 1945, and all service rendered as an employee of a contracting employer before July 1, 1947. Prior service includes all service rendered prior to July 1, 1945, as a member of the legislative assembly or lieutenant governor of Montana.

(24) "Regular interest" means interest at the rate set from time to time by the board.

(25) "Retirement" means withdrawal from active service with a retirement allowance granted under the provisions of this chapter.

(26) "Retirement allowance" means the periodic benefit payable following service, early, or disability retirement.

(27) "Retirement fund" means the public employees' retirement system pension trust fund.

(28) "Retirement system" means the public employees' retirement system created by this chapter.

(29) "Service" means employment of an employee, except as provided in 19-3-501 and 19-3-502.





(30) "Survivorship allowance" means payments for life to the beneficiary of a deceased member as provided in part 12 of this chapter.

(31) "Written application" means a written instrument duly executed and filed with the board and containing all information required by the board, including such proofs of age as the board considers necessary."

Section 2. Section 19-4-101, MCA, is amended to read:

"19-4-101. Definitions. As used in this chapter, unless the context clearly indicates otherwise, the following definitions apply:

(1) "Accumulated contributions" means the sum of all the amounts deducted from the compensation of a member or paid by a member and credited to his individual account in the annuity savings fund, together with interest. Regular interest shall be computed and allowed to provide a benefit at the time of retirement.

(2) "Actuarial equivalent" means a benefit of equal value when computed, with regular interest, on the basis of the ~~mortality-tables-adopted-by-the--retirement--board~~ 1971 Group Annuity Mortality Table, with ages set back 4 years and an interest rate of 8% compounded annually.

(3) "Annuity" means the payments made to a beneficiary for life which are derived from a member's accumulated contributions.

(4) "Annuity reserve" means the present value of all payments to be made on account of a member's annuity computed, with regular interest, on the basis of the mortality tables adopted by the retirement board.

(5) (a) "Average final compensation" means the average of the earned compensation of a member during the 3 consecutive years of full-time service which yield the highest average and on which contributions have been made as required by 19-4-602. If the earned compensation includes any termination pay, the member shall select one of the following options:

(i) use the total termination pay in the calculation of the average final compensation. The member and the employer shall pay such contributions to the retirement system as are determined by the board to adequately compensate the system for the additional retirement benefit. The contributions must be made at the time the termination pay is received.

(ii) use a yearly amount of termination pay added to each of the 3 consecutive years' salary used in the calculation of the average final compensation, if the member has 4 or more years of service with the employer from which the termination pay was received. The amount of such compensation used in the calculation of average final compensation must be divided by the total number of years of





creditable service to determine a yearly amount. The member and the employer must pay contributions on the termination pay according to the rates provided for in 19-4-602(1) and 19-4-605(1).

(iii) exclude the termination pay from the average final compensation. No contribution is required of either the employer or member.

(b) For purposes of this subsection, termination pay includes any form of termination pay or any lump-sum payment for deferred compensation, sick leave, or accumulated vacation credit, or any other payment for time not worked other than compensation received while on sick leave or authorized leave of absence.

(6) "Beneficiary" means a person in receipt of a pension, annuity, retirement allowance, or other benefit provided by the retirement system.

(7) "Creditable service" is that service defined by 19-4-401.

(8) "Earned compensation" means the full compensation, pay, or salary actually paid to a member and reported to the retirement system, including amounts paid under a salary reduction agreement to a tax sheltered annuity or deferred compensation program and the value of any housing provided by the employer. The employer shall fix the value of any housing provided. The term does not include any other

amounts paid in kind or fringe benefits not actually paid to a member. The earned compensation of a member who had less than 3 consecutive years of full-time service during the 5 years preceding his retirement is the compensation, pay, or salary which he would have earned had his part-time service been full-time service. The earned compensation of a member who is awarded a disability retirement allowance prior to the completion of a full year is the compensation, pay, or salary which he would have received had he completed the full year, except that any termination pay, as defined in subsection (5)(b), received by the member is limited to the amount actually paid and is not the amount he would have earned had he completed the full year.

(9) "Employer" means the state of Montana, the trustees of a district, or any other agency or subdivision of the state which employs a person who is designated a member of the retirement system.

(10) "Full-time service" means service which is full-time and which extends over a normal academic year of at least 9 months. With respect to those members employed by the office of the superintendent of public instruction, any other state agency or institution, or the office of a county superintendent, "full-time service" means service which is full-time and which totals at least 9 months in any one year.





(11) "Member" means a person who has an individual account in the annuity savings fund. An active member is a person included under the provisions of 19-4-302. An inactive member is a person included under the provisions of 19-4-303.

(12) "Part-time service" means service which is less than full-time or which totals less than 9 months in any one year. Part-time service shall be credited in the proportion that the actual time worked bears to full-time service.

(13) "Pension" means the payments made to a beneficiary for life which are paid out of the pension accumulation fund.

(14) "Pension reserve" means the present value of all payments to be made on account of a pension computed, with regular interest, on the basis of the mortality tables adopted by the retirement board.

(15) "Prior service" means employment of the same nature as service defined in subsection (20) of this section but rendered before September 1, 1937.

(16) "Regular interest" means interest at 4% per annum compounded annually or at such other rate as may be set by the retirement board in accordance with 19-4-501(2).

(17) "Retirement allowance" means the annuity plus the pension.

(18) "Retirement board" means the retirement system's

governing board provided for in 2-15-1010.

(19) "Retirement system" means the teachers' retirement system of the state of Montana provided for in 19-4-102.

(20) "Service" means the performance of such instructional duties or related activities as would entitle the person to active membership in the retirement system under the provisions of 19-4-302."

Section 3. Section 19-5-101, MCA, is amended to read:

"19-5-101. Definitions. Unless a different meaning is plainly implied by the context, the following definitions apply in this chapter:

(1) "Accumulated deductions" means the total of the amounts deducted from the salary of a contributor, paid into the fund, and standing to his credit in the fund, together with the regular interest thereon.

(2) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the ~~actuarial--tables in--use--by--the--system~~ 1971 Group Annuity Mortality Table, with ages set back 4 years and an interest rate of 8% compounded annually.

(3) "Beneficiary" means the person whom the contributor nominates by written designation, duly acknowledged and filed with the board.

(4) "Board" means the public employees' retirement board.





(5) "Contributor" means any person who has accumulated deductions in the fund standing to his credit.

(6) "Final salary" means the annual current salary for the office retired from.

(7) "Fund" means the Montana judges' retirement system pension trust fund.

(8) "Involuntary retirement" means a retirement not for cause and before retirement age.

(9) "Member's annuity" means payments for life derived from contributions made by the contributor.

(10) "Penalty retirement age" means 70 years of age.

(11) "Retired judge" means any judge or justice in receipt of a retirement allowance under this chapter.

(12) "Retirement allowance" means the state annuity plus the member's annuity.

(13) "State annuity" means payments for life derived from contributions made by the state of Montana."

Section 4. Section 19-6-101, MCA, is amended to read:

"19-6-101. Definitions. Unless the context requires otherwise, the following definitions apply in this chapter:

(1) "Account" means the Montana highway patrolmen's retirement pension trust fund.

(2) "Accumulated deductions" means the total of the amounts deducted from the salary of a member, paid into the account, and standing to his credit in the account, together

with the regular interest thereon.

(3) "Actuarial equivalent" means a benefit of equal value when computed on the basis of the ~~actuarial tables in use by the system~~ 1971 Group Annuity Mortality Table, with ages set back 4 years and an interest rate of 8% compounded annually.

(4) "Beneficiary" means a surviving spouse or dependent child or, if there is no surviving spouse or dependent child, a person nominated to receive benefits under 19-6-602.

(5) "Board" means the public employees' retirement board provided for in 2-15-1009.

(6) "Department" means the public employees' retirement division of the department of administration.

(7) "Dependent child" means an unmarried child of a deceased retired patrolman, who is:

(a) under 18 years of age; or

(b) under 24 years of age and attending an accredited postsecondary educational institution as a full-time student in anticipation of receiving a certificate or degree.

(8) "Final salary" means the average annual compensation received by a member, before any deductions have been made and exclusive of maintenance, allowances, and expenses, for any 3 years of continuous service upon which contributions have been made or, in the event a member has





not served 3 years, the total compensation earned divided by the number of years served. Lump-sum payments for sick leave and annual leave paid to an employee upon termination of employment may be used in the calculation of a retirement allowance only to the extent that they are used to replace, on a month for month basis, the normal compensation for a month or months included in the calculation of the final salary. A lump-sum payment may not be added to a single month's compensation.

(9) "Member" means a person who has accumulated deductions in the account standing to his credit.

(10) "Member's annuity" means payments for life derived from contributions made by the member.

(11) "Retired patrolman" means a person in receipt of a retirement allowance under this chapter.

(12) "Retirement age" means the age at which a member retires after 25 years of creditable service with the Montana highway patrol.

(13) "Retirement allowance" means the state annuity plus the member's annuity.

(14) "State annuity" means payments for life derived from contributions made by the state of Montana.

(15) "Surviving spouse" means the spouse married to a retired patrolman at the time of the retired patrolman's death."

Section 5. Section 19-7-101, MCA, is amended to read:

"19-7-101. Definitions. Unless the context requires otherwise, the following definitions apply in this chapter:

(1) "Account" means the Montana sheriffs' retirement pension trust fund administered by the sheriffs' retirement board.

(2) "Accumulated contributions" or "accumulated deductions" means the total amount deducted from the salary of a member during a period of membership service plus the total amount deducted during a period of prior service and transferred from the public employees' retirement system standing to the member's credit in the account, together with the accrued interest.

(3) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the ~~actuarial--tables in--use--by--the--system~~ 1971 Group Annuity Mortality Table, with ages set back 4 years and an interest rate of 8% compounded annually.

(4) "Beneficiary" means a person who is nominated by the member in an acknowledged document which is filed with the board.

(5) "Board" means the public employees' retirement board.

(6) "Creditable service" means the aggregate of all of a member's current and prior service.





(7) "Death benefit" means a monthly annuity or lump-sum payment made to a beneficiary on behalf of a member who dies before retirement.

(8) "Final salary" means the average annual salary received by a member, before any deductions are made and exclusive of maintenance, allowances, and expenses, for any 3 years of continuous service from which contributions were deducted or, in the event that a member has not served 3 years, the total salary earned divided by the number of years served. Lump-sum payments for sick leave and annual leave paid to an employee upon termination of employment may be used in the calculation of a retirement allowance only to the extent that they are used to replace, on a month for month basis, the normal compensation for a month or months included in the calculation of the final salary. A lump-sum payment may not be added to a single month's compensation.

(9) "Member" means any person who has accumulated deductions in the account to his credit.

(10) "Member's annuity" means payments for life derived from contributions made by the member while employed.

(11) "Membership service" means service for which an amount is deducted from the salary of a member and paid into the account.

(12) "Prior service" means service for which credit was granted by the public employees' retirement system of the

state of Montana.

(13) "Retired sheriff" means a person receiving a retirement allowance under this chapter.

(14) "Retirement allowance" means the state annuity plus the member's annuity.

(15) "Service" means employment as a sheriff.

(16) "Sheriff" means any elected or appointed county sheriff, undersheriff, or regularly appointed and acting deputy sheriff.

(17) "State annuity" means payments for life derived from county contributions into the sheriffs' retirement account, together with any supplemental legislative appropriations to the account.

(18) "Vested retirement" means a retirement not for cause and before retirement age."

Section 6. Section 19-8-101, MCA, is amended to read:

"19-8-101. Definitions. Unless the context requires otherwise, the following definitions apply in this chapter:

(1) "Account" means the Montana state game wardens' retirement pension trust fund.

(2) "Accumulated deductions" or "accumulated contributions" means the sum of all contributions standing to the credit of a member's individual account together with the regular interest thereon.

(3) "Actuarial equivalent" means a benefit of equal





value when computed upon the basis of the ~~actuarial--tables in--use--by--the--system~~ 1971 Group Annuity Mortality Table, with ages set back 4 years and an interest rate of 8% compounded annually.

(4) "Beneficiary" means a person nominated to receive benefits under this chapter by a member's written designation, duly acknowledged and filed with the board.

(5) "Board" means the public employees' retirement board.

(6) "Contributor" means any person who has accumulated deductions in the account standing to his credit.

(7) "Final salary" means the average annual compensation received by a contributor, before any deductions have been made and exclusive of maintenance, allowances, and expenses, for any 3 years of continuous service upon which contributions have been made or, in the event a member has not served 3 years, the total retirement compensation earned divided by the number of years served. Lump-sum payments for sick leave and annual leave paid to an employee upon termination of employment may be used in the calculation of a retirement allowance only to the extent that they are used to replace, on a month for month basis, the normal compensation for a month or months included in the calculation of the final salary. A lump-sum payment may not be added to a single month's compensation.

(8) "Member's annuity" means payments for life derived from contributions made by the contributor.

(9) "Retired state game warden" means any person in receipt of a retirement allowance under this chapter.

(10) "Retirement allowance" means the state annuity plus the member's annuity.

(11) "State annuity" means payments for life derived from contributions made by the state from department of fish, wildlife, and parks moneys.

(12) "State game warden" means all state fish and game wardens hired by the department of fish, wildlife, and parks and includes all warden supervisory personnel whose salaries or compensation is paid out of the department of fish, wildlife, and parks moneys."

NEW SECTION. Section 7. Extension of authority. Any existing authority of the public employees' retirement board or the teachers' retirement board to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 8. Effective date. This act is effective on passage and approval.

-End-

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

January 29, 1987

The meeting of the State Administration Committee was called to order by Chairman Sales at 9:00 a.m. on January 29, 1987 in Room 437 of the State Capitol.

ROLL CALL: All committee members were present.

CONSIDERATION OF HOUSE BILL NO. 292: Rep. McCormick, House District #38 and sponsor of the bill, stated this proposed legislation would provide state compensation to persons or organizations who are appointed by the Social Security Administration to act as representative payees for certain federal beneficiaries.

PROPONENTS: Art Lewis, Society for Social Justice in Great Falls, spoke in strong support of the bill. At present, the Society for Social Justice is handling the finances for about 20 people in Cascade County at a cost of $16,000 for the services provided to these people and for the administrative expenses for the office. Their organization cannot survive and continue to provide these services without being funded. Their clients are largely emotionally disturbed. The law states under the Social Security Act that if these people do not have a representative payee, they cannot receive the benefits they are entitled to. Thus, with out a representative payee, these people will wind up back on general assistance. There will be a great savings to the state if the committee votes for this bill.

Carol Sanders, Executive Director for Society for Social Justice, stated she gets most of her clients from numerous referral sources, i.e. welfare department, social security, attorneys or physicians, etc. Some of the duties the society performs for these emotionally disturbed individuals are: opening and maintaining bank accounts, dealing with landlords to find places for occupancy, paying of bills directly, making contact with various other agencies as needed, i.e. for alcohol counselling; in addition, a ledger sheet is kept for each client, monthly bank statements are balanced, help with buying groceries is provided, dealing with relatives in emergencies, applying for energy assistance as needed, making home and hospital visits in addition

pamphlets in election years when the incumbent Secretary of State's name appears on the ballot.

PROPONENTS: Sue Bartlett, Clerk and Recorder, Lewis & Clark County, supports the bill and also supports the placement of voter information pamphlets in the polling places. She gave some examples of inadvertent electioneering at the polls that occurred in Lewis and Clark County during the last election.

Kim Wilson, Common Cause, supports HB 410 as it ensures more evenhandled elections and will help prohibit any type of electioneering in the polling places.

Don Judge, representing the Montana AFL-CIO expressed support of the bill. He thinks it is a good idea to take this opportunity to clean up any possible appearance of wrongdoing.

OPPONENTS: None.

DISCUSSION OF HOUSE BILL NO. 410: None.

Rep. Miles closed discussion on HB 410 by suggesting the committee take a good look at this bill from the fairness standpoint.

The committee recessed at 10:05 a.m. and reconvened at 10:15 a.m.

CONSIDERATION OF HOUSE BILL NO. 299: Chairman Sales presented HB 299 to the committee members in the absence of the sponsor, Rep. Bardanouve. HB 299 is an act to change the actuarial tables that will be used in the 7 public retirement systems.

PROPONENTS: Linda King, Public Employees' Retirement Division, stated the purpose of this bill is to comply with federal Internal Revenue Code requirements. The amendment being offered today will maintain the "qualified plan" status of the retirement systems (Exhibit #1). The bill is strictly a housekeeping bill and does not have any effect on the computation of retirement benefits under any of the state's retirement systems. It simply names the mortality table and the interest rate in use by each system.

David Senn, Administrator of the Teachers' Retirement System, supports the bill and stated it does not effect the funding or computation of any retirement benefits in any system. (Exhibit #2)

OPPONENTS: None.

DISCUSSION OF HOUSE BILL NO. 299: Rep. Phillips asked Linda King why the firemen and police were not included in this bill, and she replied that the fireman and policeman systems do not require the change under the IRS code. Rep. Phillips expressed concern over the use of a 1971 mortality table since people are living so much longer. Linda King responded that the tables have been updated by setting the mortality table back four years.

Discussion on HB 229 was closed by Chairman Sales.

The committee then went into executive action.

DISPOSITION OF HOUSE BILL NO. 299: A DO PASS motion was made by Rep. Pistoria, seconded by Rep. Stratford. Motion carried unanimously.

DISPOSITION OF HOUSE BILL NO. 292: A DO PASS motion was made by Rep. Pistoria, seconded by Rep. Cody. The vote was reversed. The motion received a DO NOT PASS, 13-5. Rep. Cody expressed concern about state institutions acting as representative payees. She feels this should be amended out of the bill. Rep. Nelson expressed concern regarding how many problems there might be elsewhere in the state. Rep. Sales replied that he was sure the problem was probably the same everywhere but worse in areas that are not being served by the Montana Legal Services which handles 12 counties. In counties not included in the 12, the situation of representative payees is probably more critical. Rep. Cody stated that her observation of the fiscal note gives her a different perspective on the bill. If people can receive SSI, then the state doesn't have to pay GA. She feels this is a savings to the SRS budget rather than an expense of $18 million as indicated on the fiscal note. Rep. Moore stated that if people can e kept out of institutions, the state is saving millions of dollars.

DISPOSITION OF HOUSE BILL NO. 410: Rep. Roth moved DO NOT PASS, seconded by Rep. Phillips. The motion carried 13-5.

DAILY ROLL CALL

State Administration COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date Jan. 29, 1987

| NAME | PRESENT | ABSENT | EXCUSED |
|---|---|---|---|
| Walt Sales | ✓ | | |
| John Phillips | ✓ | | |
| Bud Campbell | ✓ | | |
| Dorothy Cody | ✓ | | |
| Duane Compton | ✓ | | |
| Gene DeMars | ✓ | | |
| Harry Fritz | ✓ | | |
| Harriet Hayne | ✓ | | |
| Gay Holliday | ✓ | | |
| Loren Jenkins | ✓ | | |
| Janet Moore | ✓ | | |
| Richard Nelson | ✓ | | |
| Helen O'Connell | ✓ | | |
| Mary Lou Peterson | ✓ | | |
| Paul Pistoria | ✓ | | |
| Rande Roth | ✓ | | |
| Tonia Stratford | ✓ | | |
| Timothy Whalen | ✓ | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Linda King

EXHIBIT #1
DATE 1/29/87
HB 299

~~PROPOSED~~ TESTIMONY

A BILL TO SPECIFY THE FACTORS AND ASSUMPTIONS

USED TO DETERMINE ACTUARIAL EQUIVALENCIES OF RETIREMENT BENEFITS

This bill is being proposed by the Public Employees' Retirement Board in order to continue the qualification of seven retirement systems administered by the board under the Internal Revenue Code. The code requires qualified plans to specify the factors and assumptions used to determine actuarial equivalencies of retirement benefits in the actual plan. In the case of the state's retirement systems, the "plans" are the statutes enacting the retirement systems.

Current law defines "actuarial equivalent" as "a benefit of equal value when computed upon the basis of the actuarial tables in use by the system." This bill proposes to amend this definition by substituting "1971 Group Annuity mortality table with ages set back four years and an interest rate of 8% compounded annually" (for "actuarial tables in use by the system"). The same amendment is being proposed for each of the seven actuarily funded retirement systems administered by the Board. At the request of the administrator of the Teachers' Retirement Division, and in an effort to minimize the number of bills brought before the 1987 Legislature, this bill makes the same amendment to the provisions of the Teachers' Retirement System.

This bill is strictly a housekeeping bill and does not have any effect on the computation of retirement benefits under any of the state's retirement systems. It simply names the mortality table and the interest rate in use by each system.

We urge your approval of this bill in order that the qualified plan status of the retirement systems can be maintained, and with it the continuing tax advantages such qualified status provides for the trust funds and retirement system members.

EXHIBIT 42
DATE 1/29/87
HB 299

House Bill 299

TESTIMONy
presented by
David L. Senn
Teachers' Retirement Board
1-29-87

TITLE

An act to specify the factors and assumptions used to determine actuarial equivalencies of benefits provided in the Public Employees', Teachers', Judges', Highway Patrolmen's, Sheriffs', and Game Wardens' Retirement Systems.

The Teachers' Retirement Board supports this legislation. This bill is necessary in order to continue the qualifications of the retirement plan under the Internal Revenue Code. The code requires all qualified plans to specify the factors and assumptions used to determine actuarial equivalencies in the plan document.

The Teachers' Retirement System has always been treated as a qualified plan by the Internal Revenue Service. The importance of the system maintaining a qualified status is three fold.

(1) If a system is not qualified, employer contributions are taxable to the members at the time the contributions are made.

(2) Unless the system is qualified, trusts set up to handle the investments of the fund, would not be tax exempt and thus all investment earnings would be subject to taxation.

(3) There may be tax advantages available to members when distributions are made from a qualified plan at the time of retirement.

This bill does not have any effect on the funding or the computation of retirement benefits under the Teachers' Retirement System it simply names the mortality table and the interest rate in use by the system.

We urge your approval of this bill in order that the retirement systems of the State of Montana may maintain their qualified plan status under the Internal Revenue Code.

DLS:dlh

# STANDING COMMITTEE REPORT

January 29 19 87

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report HB 299

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☐ as amended
☐ statement of intent attached

Chairman

FIRST reading copy ( WHITE )
color

VISITORS' REGISTER

STATE ADMINISTRATION COMMITTEE

BILL NO. 299 DATE 1/29/87

SPONSOR Bardanouve

| NAME (please print) | REPRESENTING | SUPPORT | OPPOSE |
|---|---|---|---|
| LINDA KING | Public Employees' Retirement Div | ✓ | |
| David J Jean | Teachers Retirement | ✓ | |
| Ellen Flor | WOA | ✓ | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

February 10, 1987

The twenty-first meeting of the State Administration Committee was called to order by Chairman Jack Haffey on February 10, 1987 at 10:00 a.m. in Room 331 of the State Capitol.

ROLL CALL: All committee members were present.

The hearing was opened on Senate Bill 279.

CONSIDERATION OF SENATE BILL 279: Senator Tom Keating, Senate District 44, Billings, was sponsor for this bill entitled, "AN ACT PROVIDING FOR SECURITY OF DATA AND INFORMATION TECHNOLOGY RESOURCES; ESTABLISHING THE RESPONSIBILITIES OF STATE AGENCIES, THE BOARD OF REGENTS, THE SUPREME COURT, AND THE DEPARTMENT OF ADMINISTRATION; AND AMENDING SECTION 2-15-102, MCA." He stated this bill was requested by the Legislative Audit Committee after an audit in 1985 revealed that there was some lack of security in the systems on the state mainframe usage. They discovered there were a number of departments that had information that could be easily accessed where information could have been destroyed, grades changed, transfers altered, income tax returns changed, etc. As a result they felt some additional security policies should be established along with existing procedures to make the systems more secure. He added this was not a new program just adding to the system already in place.

PROPONENTS: Jim Pellegrini, Deputy Legislative Auditor, noted the audit report had revealed that agency management was lax in assigning and reviewing security responsibilities. He also stated that under current Montana law, there is not a specific responsibility assigned to any entity for the security of state information stored or processed on computers. The audit meant to convey that the agencies who are responsible for the information being processed are also responsible for the security of that data.

OPPONENTS: Sara Parker, State Law Librarian, supported the concept behind the proposal but felt the bill as written would present some problems to small agencies such as the library. She felt there might be some problem with the term "information technology resources" because it goes beyond on what has been known as data processing and might include some items that were not really intended to be included. She noted much of their work is done on microcomputers. The way the bill is worded would require the same elaborate security measures for microcomputers which she felt was not really necessary. She also noted in small agencies it would be a burden on the existing personnel to assume these extra duties. She noted the library has much public information and would like it to remain very open.

Paul Dunham, Director of Research and Services for the University System, was uncertain there should be definitions of our security system in statute. He agreed that data needs to be preserved and protected but was concerned there was a lack of a definition of risk analysis. He felt it might be preferable to delete all of the specifics in the bill and just amend current statutes to include security measure requirements.

QUESTIONS ON SENATE BILL 279: There were none. Senator Haffey suggested that Sara Parker, Jim Pelligrini and Paul Dunham meet and discuss the concerns they had with Senator Keating and Eddye McClure before final committee action is taken on the bill.

Senator Keating noted the bill should be interpreted for its original intent which was to secure privileged information to prevent abuses. The hearing was CLOSED on SB 279.

The hearing was opened on House Bill 299.

CONSIDERATION OF HOUSE BILL 299: Representative Francis Bardanouve was sponsor of the bill entitled, "AN ACT TO SPECIFY THE FACTORS AND ASSUMPTIONS USED TO DETERMINE ACTUARIAL EQUIVALENCIES OF BENEFITS PROVIDED IN THE PUBLIC EMPLOYEES', TEACHERS', JUDGES', HIGHWAY PATROLMEN'S, SHERIFFS' AND GAME WARDENS' RETIREMENT SYSTEMS; AMENDING SECTIONS 19-3-104, 19-4-101, ...MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE." The bill was being requested by the Public Employees' Retirement Board. Rep. Bardanouve noted this would make the pension plans qualified by spelling out exactly how the benefits are provided. It would bring our Montana pensions into conformity with the criteria set by the federal reform law on pensions. It would cover PERS, judges, highway patrolmen, teachers, sheriffs and game wardens retirement systems. He noted, however, that within 2 to 4 years this may have to be amended again in order to bring it up to requirements. If the plans are not qualified the earnings from the pension plans will be subject to assessment by Internal Revenue Service.

PROPONENTS: Linda King, from PERS, spoke in support of the bill. She noted it was necessary to specify the name of the mortality table and interest rates used by each of the boards in statute.

David Senn, Administrator of the Teachers' Retirement Division, noted they were in support of this legislation because it would keep the employee's investment earnings tax exempt and would be advantageous to have a qualified plan.

OPPONENTS: There were none.

QUESTIONS ON HOUSE BILL 299: Senator Farrell wondered if this was the same table that had been used and was told by Ms. King

that it was, that the benefits would not change at all. Senator Harding asked if this had to be done to meet the new federal regulations and Ms. King explained that if the plan were not qualified there could be an assessment made on the investment earnings.

Rep. Bardanouve noted in CLOSING that it was very important to have the tables spelled out in order to bring this into compliance with federal regulations.

EXECUTIVE SESSION ON HOUSE BILL 299: Senator Lynch MOVED THAT HOUSE BILL 299 BE CONCURRED IN. Senator Harding seconded the motion. The motion passed unanimously. Senator Harding will carry the bill on the Senate floor.

The meeting was adjourned at 10:30 a.m.

cd

Jack Haffey.
SENATOR JACK HAFFEY, Chairman

ROLL CALL

SENATE STATE ADMINISTRATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 2-10-87

| NAME | PRESENT | ABSENT | EXCUSED |
|---|---|---|---|
| SENATOR JACK HAFFEY | X | | |
| SENATOR WILLIAM FARRELL | X | | |
| SENATOR LES HIRSCH | X | | |
| SENATOR JOHN ANDERSON | X | | |
| SENATOR J. D. LYNCH | X | | |
| SENATOR ETHEL HARDING | X | | |
| SENATOR ELEANOR VAUGHN | X | | |
| SENATOR SAM HOFMAN | X | | |
| SENATOR HUBERT ABRAMS | X | | |
| SENATOR TOM RASMUSSEN | X | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Each day attach to minutes.

DATE FEBRUARY 10, 1987

COMMITTEE ON SENATE STATE ADMINISTRATION

VISITORS' REGISTER

| NAME | REPRESENTING | BILL # | Check One | |
|---|---|---|---|---|
| | | | Support | Oppose |
| LINDA KING | Public Empl. Retirement Div | AB 299 | ✓ | |
| Paul Dunham | Nat. Univ Syste | SB279 | | ✓ |
| Mike Trevor | D of A | SB 279 | | |
| David L Sem | Teachers Retirement | AB299 | ✓ | |

(Please leave prepared statement with Secretary)

# STANDING COMMITTEE REPORT

FEBRUARY 10 19 87

MR. PRESIDENT

We, your committee on SENATE STATE ADMINISTRATION

having had under consideration HOUSE BILL No. 299

third reading copy ( blue color )

DEFINING ACTURIAL EQUIVALENT BY ACTURIAL TABLES AND INTEREST RATES

Bardanouve (Harding)

Respectfully report as follows: That HOUSE BILL No. 299

BE CONCURRED IN

~~XXXXXX~~
~~DO PASS~~

~~XXXXXXXXX~~
~~DO NOT PASS~~

SENATOR JACK HAFFEY Chairman.